

## Relationship Marketing

**By: Eric Giltner**

North Dakota District Office

Many small businesses have seen a gradual shift from employing a transactional business model to one emphasizing customer relationships. A transactional business simply has products and or services available with no regard to building any kind of rapport with the customer. Examples of transactional businesses include most of the stores commonly found in an airport. Generally, they are there for the convenience of air travelers and see no value in developing any kind of long-term relationship with their customers. Other examples of business can be found when consumption is a one-time (lasik eye treatment) or long-lasting event (re-siding a home). Transactional businesses employ a marketing strategy aimed at finding new customers.

Today's customer demands more from a business than just having products and services available for purchase. This requires a business to focus on activities supportive of building long-term relationships with its customers, hence, "Relationship Marketing." Relationship marketing is an effective strategy for a

*continued on page 2*

## Tips for Managing a Successful Business

**By: Alan Haut**

North Dakota District Office

### ***Tip #1: "Plan – Plan – Plan."***

Planning often means the difference between success or failure. No planning leads to a lack of focus and direction, an inability to track effectiveness, and difficulties in obtaining financing.

Advantages of planning include setting benchmarks that can be used to measure actual performance against projections and allows time to take corrective action.

### ***Tip #2: "Have Good Management"***

Inadequate management often leads to a lack of focus, failure to make decisions and not acting on those decisions. Common fixes to management issues include offsetting your weaknesses with strengths in others, developing a sound business plan, and involving other staff in the planning process.

### ***Tip #3: "Secure Proper Financing"***

Poorly planned financing can cause turmoil in a business by creating cash crunches leading to an inability to respond to demand and results in expensive crisis financing.

As an entrepreneur, you should plan to invest as much capital as you can early in the business. You should also work hard to establish good credit personally and for your business. Also, involve your banker in your business and apply for financing before you need it.

### ***Tip #4 "Don't rely on word of mouth advertising"***

A proper marketing campaign can be critical to the early success of your business. Poor advertising can lead to a lack of customer awareness causing slow growing sales and losing customers to the competition.

*continued on page 3*

## INSIDE THIS ISSUE

- 1** Relationship Marketing
- 1** Tips for Managing a Successful Business
- 3** Employer Support of the National Guard and Reserve
- 4** Midway Lanes, Mandan
- 4** Canadian Exporting Opportunities
- 5** Ask the North Dakota District Office

business when there are alternative products or services for the customer to choose from; when the customer makes the selection decision; and when there is an ongoing and periodic desire the product or service.

### **Customer's Life Cycle**

Relationship marketing involves understanding the customers' changing needs as they go through their business life cycle. It emphasizes providing a range of products or services to existing customers as they need them. This requires engaging in activities devoted to gathering information about the present and future needs of customers and with this comes the added cost of time and effort spent with customers. However, this is offset by national studies showing the cost of retaining an existing customer is only about 10% of the cost of acquiring a new customer. This certainly makes a strong economic reason for paying more attention to existing customers.

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### **Relationship Marketing Concepts**

The following concepts and activities are commonplace with using a relationship marketing strategy.

#### **Customer Valuation**

It is rare when a business can afford to apply relationship marketing activities to "every" customer. This is where the 80/20 concept comes into play. In many industries 80 percent of a firm's revenue comes from a "core" 20 percent of their customers. This core group of customers is then targeted for a deeper relationship.

#### **Customer Retention Management**

Customer retention is a measure of the percentage of valued customers at the beginning of the year that are still customers at the end of the year. The key activity here is to determine the reasons for leaving and then apply corrective action. This requires the difficult task

of conducting exit interviews from reluctant, disappointed, or indifferent departed customers. Strong support and participation from top management or ownership is crucial in obtaining useful information.

### **Use of Customer Switching Barriers**

Businesses will employ strategies to make it harder for a valued customer to "switch" to the competition. Common tactics used include: Product Bundling (combining several products or services into one "package" and offering them at a special price); Cross Selling (selling related products to current customers – expanded product line); Cross Promotions (giving discounts or other promotional incentives to purchasers of related products); Loyalty Programs (incentives for frequent purchases); Application of Switching Costs (termination fees); and Infrastructure Sharing (linking of computer systems and software to enhance supply and demand management of products/services).

### **Team Approach**

A single point of contact will be assigned to a customer. To meet the ongoing needs of the customer, the "contact" will assemble varying teams of unique service providers from within the business as needed. Each successive team will spend considerable time with the customer with the rationale being that the more points of contact between the business and the customer, the stronger will be the bond, and the more secure the on-going relationship.

### **Can Your Business Employ Relationship Marketing?**

Relationship marketing is most appropriate when marketing relatively high value consumer products/services. It is also effective when the product or service can support value added extras specifically tailored for the customer. It takes time to implement concepts and practices of relationship marketing and requires a complete "buy-in" by all employees of the business. ❖

### **DID YOU KNOW?**

Were you aware that the days of the "weekend warrior" are over? Fifty percent, or 1.2 million men and women of the current U.S. military total force is comprised of National Guard and Reserve members.

Try to set goals for marketing efforts by developing a marketing plan. Make sure to track advertising results to see if you are reaching your intended audience.

**Tip #5 “Understand Financial Statements to Manage Cash”**

Poor financial management leads to guesswork pricing, bad budgeting and cash crisis.

Learn how to read financial statements including income statements (aka profit & loss), balance sheets, cash flows and common ratios such as inventory turns, account receivable days, current ratio and debt to worth ratio. Finally, make sure to use the information to improve your business by making changes in your operation.

**Tip #6 “Don’t be Complacent”**

If it ain’t broke, don’t fix it -- doesn’t work in today’s business environment. Complacency causes inefficient operations, unmotivated staff, and a business lagging behind the competition. Get a jump on the market by being open to new ideas and fostering innovation.

**Tip #7 “Develop a Team”**

As sole owner, you may have limited solutions. As they say, “two heads are better than one”. A team of advisors can provide invaluable advice during crisis. Include an accountant, attorney, insurance agent, banker, and others.

**Tip #8 “Have a Great Attitude”**

You have the best job in the world; enjoy it. It’s contagious for employees & customers. ❖

## **Employer Support of the National Guard and Reserve – The Right Thing To Do and The Law**

**By: Mike Gallagher**

North Dakota District Office

The current strong commitment to defending our country by the men and women who make up the National Guard and Reserve offers opportunities and challenges for small businesses. In some cases key employees of small businesses are members of the

National Guard and Reserve. When these employees are deployed to foreign soil and leave the small business they work for, they are protected through the Uniformed Services Employment and Reemployment Rights Act (USERRA), Title 38 of USC 43.

As a small business employer, it would be wise to review and understand the USERRA to be sure you are meeting your responsibilities and assuring the rights of these brave men and women who defend our country. USERRA also serves to remind your military employees of their responsibilities in working with their employer.

To take an active role in understanding the rights and responsibilities of the employer and their military employee, you can visit the Employer Support of the Guard and Reserve (ESGR) WEB site at [www.esgr.mil](http://www.esgr.mil). The ESGR site offers helpful posters and information that can be used to communicate the rights and responsibilities of each party. It provides other resources that help in the support of Military men and women and to ensure a smooth as possible transition from military duty back to civilian life.

SBA resource partners, including SCORE and the Small Business Development Center (SBDC), are also available to meet with business owners who find management challenges resulting from the loss of key personnel. SCORE and the SBDC provide assistance to small business owners and their families when the owner of the small business is in the Guard or Reserve and is called to active duty. They can assist with finding ways to meet the needs of the business as the owner departs to serve their country and to help them to reestablish their business and move forward when they return to civilian life. To find the local SCORE and SBDC office, visit the North Dakota SBA WEB site at [www.sba.gov/nd](http://www.sba.gov/nd)

SBA offers a helpful and informative electronic newsletter for Veterans and those who are interested in support of veterans. To subscribe to the VET Gazette visit SBA’s subscription WEB page at <http://web.sba.gov/list/>

Understanding the law and resources available to veterans and small businesses is an important element in providing the necessary support for those who serve our country. ❖



## Your Small Business Resource U.S. Small Business Administration

### Midway Lanes, Mandan

Owned by Jim Mellon since 1966, Midway Lanes of Bismarck/Mandan has remodeled to meet the needs of the times every five to six years. However, its most recent expansion required the kind of help that could only be provided by Dakota Certified Development Corporation.

'The challenges are endless,' remarks Mellon. 'Forty years ago there were only show houses, billiards and bars to compete with. Now we compete with about 25 other recreational venues.' This fierce competition for the recreational dollar inspired Midway Lanes to tackle a renovation project far in excess of what it had undertaken in the past.

Mellon's vision was to create a total 'family entertainment facility that provides wholesome, clean entertainment to people of all ages.' The realization of this facility required more than what a local financial institution could provide on its own. 'We needed 504 financing to create the unique financial approach to put the expansion and renovation together,' remarks Mellon.

The flexibility of SBA 504 financing allowed Midway Lanes to add lanes, which means a greater number of leagues and approximately 30% more bowling. In addition to the lanes, Mellon was also able to expand the bar and lounge area, add new signage and redefine the interior of the building. As a result, 'It's a gathering place for all types of social functions.' ❖

## Canadian Exporting Opportunities

**By: Keith Bjornson**  
North Dakota District Office

With limited sales growth available in local communities and overseas exporting seemingly well beyond one's resources for a number of reasons, exporting to Canada might be a reasonable alternative. Many resources are available to help start exporting on a smaller scale to our Canadian neighbors.

Some of these resources are:

- Canada's consumer and business site <http://strategis.ic.gc.ca/engdoc/main.html> with information on businesses by sector, company directories, economic analysis and statistics, trade and investment information as well as industry services.
- Canada Customs and Revenue Agency [www.cra-arc.gc.ca/agency/](http://www.cra-arc.gc.ca/agency/) or the equivalent of our IRS provides information on international trade agreements, customs clearance procedures as well as business travel in Canada.

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*For a relatively modest cost selling in Canada can be a good initial step to start exporting.*

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- NAFTA Customs Web Site [www.nafta-customs.org](http://www.nafta-customs.org) provides more detailed information on rules and regulations including origination that is applied to determine whether goods qualifies as originating goods under the terms of NAFTA. Instructions are available on the Certificate of Origin, as well as NAFTA customs procedures and duties.
- U.S. Commercial Service [www.trade.gov/cs/](http://www.trade.gov/cs/) homepage is useful with general information on product and country specific data. Many services are available with the US Commercial Service including trade services, trade shows and agents.
- ND Trade Counsel [www.exportnd.com](http://www.exportnd.com) is staffed by a US Commercial Service staff person with particular insight into North Dakota businesses that are exporting. This local knowledge is invaluable to help make those first steps into the Canadian market.

For a relatively modest cost selling in Canada can be a good initial step to start exporting. The above resources can certainly be helpful to help North Dakota and regional businesses start exporting at a more comfortable level. ❖

## CALENDAR OF EVENTS

### 21<sup>ST</sup> CENTURY MARKETING SYSTEM – SEPTEMBER 28, 2006

UNIVERSITY OF MARY, 505 S. 7<sup>TH</sup> ST., BISMARCK, ND

9:00AM – 12:00PM

CONTACT: TD MEP, (701)328-5478

Increase Sales in 2006 25% - 100% or more without spending more money on advertising. This unique marketing system establishes a basis for growth in three areas: increase in the number of prospective customers; increase in the conversion rate of prospective customers to paying customers; and increase in the average value of each customer. Cost: \$29.95 - Seating is limited to the first 20 registrants!

### MARKETING MAGIC – SEPTEMBER 28, 2006

WEST ACRES SHOPPING CENTER COMMUNITY ROOM, LOWER LEVEL JCPENNEY WING, FARGO, ND

6:00PM – 9:00PM

CONTACT: SBA, (701)239-5131

This program will help participants find out how they can position their business at the right "target" for their customer's needs. It will also offer information on how to get the most out of visual advertising. Discussion will address the question of "What is your visual advertising saying about your product or service?" and "Is it attracting viewers the way it should?" Cost: \$15; preregistration required. Part 1: Positioning Your Business for Success; Part 2: Effective Visual Advertising.

## QUESTIONS AND ANSWERS

Q: I am a small business owner who has a key employee who is in the National Guard and has been called up for active duty in Iraq. What are my responsibilities in holding her job open until she can return to work?

A: Your employee has the right to be reemployed in the job they current had when they left to perform service in the uniformed service as long as they meet a few requirements.

- The employee must insure that you receive written or verbal notice of their service.
- They have five years or less of cumulative service in the uniformed services while in your employment.
- They return to work or apply for reemployment in a timely manner after conclusion of service, and
- They have not been separated from the service with a disqualifying discharge or under other than honorable conditions.

If they meet these requirements they must be restored to the job and benefits they would have attained had they not been absent due to military service.

For additional information you can visit the WEB site of Employer Support of the Guard and Reserve at [www.esgr.mil](http://www.esgr.mil)



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